

The Current Scenario of Organized Retailing in India

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Abstract - The Retail sector of India is now among top five fastest growing markets globally and by 2015 it is going to touch \$ 637 bn.. Most of it is going to be through Modern retail i.e. through shopping malls, which is expected to increase by 22% by 2015 and the number of malls is going to touch a promising figure of 500 approximately by 2015. The total mall area available in India is more than 900 lacs sqft. The economic environment has changed and retailers are not confident of developer's ability to get enough foot fall. That's why no retailer would like to be the first to test the water. He would like to wait to understand the synergy with other tenants before stopping into a mall. Anchor tenants hesitation will make life difficult for mall developers as they are already facing excess retail capacity.

Keywords - Retail, Shopping Malls, Organized retailing, Modern retail.

1. INTRODUCTION

The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for next formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-styles malls have begun appearing in metros and second-running cities alike introducing the Indian consumer to a shopping experience like never before.

India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. The structure of retailing is developing rapidly with shopping malls becoming increasingly common in large cities, and development plans being projected as 150 new shopping malls by 2008. The Industry is rated as the fifth most attractive emerging retail market, India is being seen as a potential goldmine. It has been ranked second in a global retail development index of 30 developing countries drawn up by AT Kearney. The list was developed as a response to request from retail chains facing saturated demand in most western markets.

1. AT Kearney has estimated India's total retail market at US\$ 202.6 billion which is expected to grow at a compounded 30% over the next 5 years.
2. With the organized retail segment growing at the rate of 25-30% per annum revenues from the sector

are expected to triple from the current US \$ 7.7 billion to US \$24 billion by 2010.

3. The share of modern retail is likely to grow from its current 4% to 15-20% over the next decade, analysts feel.
4. The world's largest retailer wall-mart has huge plans for India. It is moving senior official from its headquarters in Bentonville, Arkansas, to head its market research and business development functions pertaining to its retail plans in India.
5. New-york-based high-end fashion retailer saks fifth avenue has tied up with realty major DLF properties to set up shops in a mall in New Delhi.
6. Tommy Hilfiger, retailer of apparels, expects to open one store each in Delhi, Ahmadabad, Lucknow and Bangalore.

Share of Organised Retail to Retail Market

Retail Segment	% Organised Retail			
	2004	2005	2006	2007
Clothing, Textile & Fashion Accessories	13.60	15.60	18.90	22.70
Jewellery	2.00	2.30	2.80	3.30
Watches	39.60	43.50	45.60	48.90
Footwear	25.00	30.30	37.80	48.40
Health & Beauty Care Services	6.00	7.60	10.60	14.30
Pharmaceuticals	1.80	2.20	2.60	3.20
Consumer Durables	7.80	8.80	10.40	12.30
Mobile Handsets & Accessories	6.50	7.00	8.00	9.9
Furniture & Furnishings	6.70	7.60	9.10	11.00
Food and Grocery	0.50	0.60	0.80	1.10
Catering Services (F&B)	5.70	5.80	6.90	8.00
Books, Music & Gifts	9.80	11.70	12.60	3.40
Entertainment	2.60	3.30	4.10	5.30
Total	3.00	3.60	4.60	5.90

2. SOURCE INDIA RETAIL REPORT (2009)

Analysing the fact from the table below that the total share of organized retail including various segments, is around 6% to total retail market in India. Some of the segments which have seen high growth are footwear, Health and beauty care, clothing, Textile & Fashion, Food & Grocery, and entertainment. Although the sectors like food & Grocery and entertainment has got a very low organized share in retailing but keeping the fact that the growth is high and future prospectus are strong, the share of organised retailing in these sector will increase effectively.

3. SHARE OF ORGANISED RETAIL IN SELECT COUNTRIES

Based upon the fact given in the table below, it is clear that the developed countries in the world have got major share of organized retailing. Where as it is very low (around 4%) in developing countries. Organized retailing is one of the benchmarks of development. Consumerism is also very high comparatively in developed countries; Per capita retail sales are also very high because of the purchasing power and disposable income. Per Capita Retail sales is very low in developing countries due to again the purchasing power & disposable income.

India has got a very low share of organized retailing, even comparatively in other developing countries, India has almost lowest share of organized retailing. As par as the per capital retail sales are concerned. India comes at the last among all select developed & developing countries.

It is very clear from the data that if is just a beginning of organized retailing in India and the potential is very high.

COUNTRY	Per Capital Retail	Share of Organised
	Sales Rs.p.a.	Retail (%)
USA	448785	85
Japan	416205	66
United States	353295	80
France	320580	80
Germany	229905	80
Korea, South	186480	15
Czech Republic	148545	30
Poland	141750	20
Hungary	106920	30
Russia	87300	33
Brazil	68400	36
Argentina	61155	40
Malaysia	56880	55
Thailand	46935	40
Indonesia	29925	30
China	26955	20
Philippines	26595	35
Pakistan	18180	1
Vietnam	13905	22
India	12915	4

Source : India Retail Report : 2009

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